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Stephen F. O'Byrne

Managing Director

Stephen F. O'Byrne is a world-class expert in executive compensation valuation, and employment agreement negotiation. He has more than thirty years of experience as a consultant to companies on compensation, performance measurement and valuation issues.

Mr. O'Byrne helps companies develop better measures of business unit performance, more accurate market rates of pay and incentives that align employee and investor interests.

His work on business unit performance measurement provides an analytical framework for measuring operating performance in a way that is consistent with discounted cash flow valuation. The framework addresses the two basic problems of earnings as a proxy for investor wealth: earnings can be increased by cutting current expenses, such as R&D or advertising, that increase investor wealth and by investing capital that earns less than its opportunity cost, which reduces investor wealth.

Mr. O'Byrne work on competitive pay provides more accurate estimates of market pay by using multiple regression models to control for differences in responsibility, industry segment, business risk, performance and company pay policy.

His work on incentive plan design provides an analytical framework for measuring the three basic dimensions of executive pay: incentive strength, alignment with management's contribution to investor wealth and performance adjusted cost. His work provides benchmarks for top 5 pay at S&P 1500 companies going back to 1992, shows that impact of pay dimensions on future company performance and shows how to design pay plans that provide perfect correlation of relative pay and relative performance.

He was previously a Senior Vice President of Stern Stewart & Co. and a Principal of Towers Perrin. Mr. O'Byrne holds a B.A. degree in political science from the University of Chicago, an M.S. in Mathematics from Northwestern University and a J.D. from the University of Chicago.

Expertise

- Executive Compensation
- Business Unit Incentives Plans
- Competitive Pay Estimates
- Value Added Measurement
- Employment Agreement Negotiation

Education

- University of Chicago Law School**
Juris Doctor
- Northwestern University**
M.S. Mathematics
- University of Chicago**
B.A. Political science

Employment History

- Shareholder Value Advisors Inc.**
President
1998-Current
- Stern Stewart & Co.**
Senior Vice President
1992-1998
- Towers Perrin**
Principal
1979-1992
- PriceWaterhouseCoopers**
Tax Analyst
1977-1979

He is a certified public accountant, a member of the Illinois bar, a member of the New York CFA Society and a former Lecturer in Mathematics at Loyola University of Chicago.

Publications:

"A Better Way to Measure Operating Performance" in the Journal of Applied Corporate Finance (Summer 2016)

"Measuring and Improving Pay for Performance" in the Handbook of Board Governance, edited by Richard LeBlanc, Wiley (2016)

"The Alignment Gap Between Creating Value, Performance Measurement and Long-Term Incentive Design" (with Mark Van Clieaf) IRRC Institute (2014)

"Three Versions of Perfect Pay for Performance" in the Journal of Applied Corporate Finance (Winter 2014)

"How 'Competitive Pay' Undermines Pay for Performance" (with Mark Gressle) in the Journal of Applied Corporate Finance (Spring 2013)

"Achieving Pay for Performance" in the Conference Board Director Notes (December 2012)

"Six Factors That Explain Executive Pay (and its Problems)" (with Professor David Young of INSEAD) in the Journal of Applied Corporate Finance (Spring 2010)

"What Investors Need to Know About Executive Pay" (with David Young) in the Journal of Investing (Spring 2010)

"Why Capital Efficiency Measures Are Rarely Used in Incentive Plans, and How to Change That" (with David Young) in the Journal of Applied Corporate Finance (Spring 2009)

"Why Executive Pay Is Failing" (with David Young) in the Harvard Business Review (June 2006)

EVA® and Value-Based Management (with David Young) McGraw-Hill (2001)

"Executive Compensation" in the Handbook of Modern Finance(1997)